

**Sewerage District No. 1 of Rapides Parish
Alexandria, Louisiana**

Auditor's Report

Year Ended December 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 11 2012

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ACCOUNTANTS' REPORT

To Board of Commissioners
Sewerage District No. 1 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

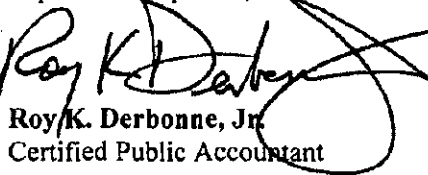
I have audited the accompanying financial statements of Sewerage District No. 1 of Rapides Parish, Louisiana, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on by audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No. 1 of Rapides Parish, Louisiana, as of December 31, 2011 and 2010, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated June 11, 2012, on my consideration of Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Sewerage District No. 1 of Rapides Parish, Louisiana has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 11, 2012

FINANCIAL STATEMENTS - BUSINESS TYPE ACTIVITIES

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS	2011	2010
Current Assets		
Cash and Cash Equivalents	\$ 483,528	\$ 577,227
Receivables:		
Accounts (Net)	20,403	18,887
Total Current Assets	<u>503,931</u>	<u>596,114</u>
Restricted Assets		
Reserve Fund	68,263	68,277
Depreciation and Contingency Fund	6,105	3,441
Total Restricted Assets	<u>74,368</u>	<u>71,718</u>
Noncurrent Assets		
Capital Assets	7,464,295	7,464,295
Less: Accumulated Depreciation	(3,040,282)	(2,876,925)
Total	<u>4,424,013</u>	<u>4,587,370</u>
Nondepreciable Capital Assets	28,570	28,570
Total Property, Plant and Equipment	<u>4,452,583</u>	<u>4,615,940</u>
TOTAL ASSETS	<u>\$ 5,030,882</u>	<u>\$ 5,283,772</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities		
Accounts Payable	\$ 23,698	\$ 120,249
Contracts Payable	-	-
Deposits Payable	16,515	16,326
Deferred Revenues	17,708	18,472
Payroll Taxes Payable	579	358
Total Current Liabilities	<u>58,500</u>	<u>155,405</u>
Current Liabilities Payable from Restricted Assets		
Accrued Interest Payable	1,950	1,972
Current Portion of Long-Term Debt	15,938	15,317
Total Current Liabilities Payable from Restricted Assets	<u>17,888</u>	<u>17,289</u>
Noncurrent Liabilities		
Long-Term Debt	1,301,026	1,316,966
Total Liabilities	<u>1,377,414</u>	<u>1,489,660</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	3,107,049	3,255,087
Restricted for Debt Service	74,368	71,718
Unrestricted (Deficit)	<u>(472,052)</u>	<u>269,274</u>
NET ASSETS	<u>\$ 3,653,468</u>	<u>\$ 3,794,112</u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN RETAINED EARNINGS

For The Years Ended December 31, 2011 and 2010

OPERATING REVENUES	2011	2010
Sewerage Service and Tap Fees	\$ 566,941	\$ 547,993
OPERATING EXPENSES		
Salaries	10,350	3,330
Payroll Taxes	791	255
Commissioner's Per Diem	-	5,400
Contract Labor	101,400	105,395
Advertising	152	48
Disconnect Fees	-	1,418
Dues, Subscriptions and Permits	6,699	6,440
Engineering Fees	878	434
Equipment Rental	333	834
Insurance	5,070	3,973
Lab Fees	24,958	26,970
Legal and Accounting	65,321	68,543
Office and Postage	11,099	10,625
Rent Expense	1,800	1,800
Repairs and Maintenance	146,907	155,716
Telephone and Utilities	117,797	170,866
Depreciation	163,357	161,258
Total Operating Expenses	<u>656,912</u>	<u>723,305</u>
OPERATING INCOME	(89,971)	(175,312)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	238	1,077
Rental Income	1,200	1,200
Gain on Sale of Land	-	1,625
Recovery of Assessments Written Off	-	312
Interest Expense	(52,915)	(53,867)
Value of Donated Assets	-	169,463
Grant	-	166,831
Miscellaneous	804	1,741
Total Nonoperating Revenues (Expense)	<u>(50,673)</u>	<u>288,382</u>
NET INCOME (LOSS)	(140,644)	113,070
NET ASSETS AT BEGINNING OF YEAR	<u>3,794,112</u>	<u>3,681,042</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,653,468</u>	<u>\$ 3,794,112</u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash From Operating Revenues	\$ 564,662	\$ 552,063
Cash Paid to Employees	(10,350)	(3,330)
Cash For Operating Expenses	(579,537)	(449,730)
Net Cash Provided by Operating Activities	(25,225)	99,003
Cash Flows From Non Capital and Related Financing Activities:		
Special Assessments and Interest	-	-
Increase (Decrease) in Customer Deposits	189	(75)
Miscellaneous	2,004	3,253
Net Cash Provided (Used) by Non Capital Financing Activities	2,193	3,178
Cash Flows From Capital and Related Financing Activities:		
Contribution of Sewer System from Developers	-	169,463
Sewer System Improvements	-	(177,197)
Grant from RUS	-	166,831
Decrease in Contracts Payable	-	(104,225)
Proceeds from Sale of Land	-	1,625
Debt Retirement	(15,318)	(12,054)
Interest Paid on Debt	(52,937)	(84,295)
Net Cash Provided (Used) by Capital and Related Activities:	(68,255)	(39,852)
Cash Flows From Investing Activities:		
Interest on Investments	238	1,077
(Increase) Decrease in Accrued Interest	-	19
Net Cash Used by Investing Activities	238	1,096
Net Increase (Decrease) in Cash and Cash Equivalents	(91,049)	63,425
Cash and Cash Equivalents, Beginning of the Year	648,945	585,520
Cash and Cash Equivalents, End of the Year	\$ 557,896	\$ 648,945

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICY JURY
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Required) by Operating Activities		
Operating Income	\$ (89,971)	\$ (175,312)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	163,357	161,258
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(1,516)	1,660
Increase (Decrease) in Accounts Payable	(96,552)	108,629
Increase (Decrease) in Deferred Revenues	(764)	2,410
Increase (Decrease) in Payroll Taxes Payable	221	358
Total Adjustments	<u>64,746</u>	<u>274,315</u>
Net Cash Provided (Required) by Operating Activities	<u>\$ (25,225)</u>	<u>\$ 99,003</u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE A SUMMARY OF ACCOUNTING POLICIES

Sewerage District No. 1 of Rapides Parish was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:3881 to manage and operate sewerage systems within the District not served by municipal systems. A three-member board appointed by the Rapides Parish Police Jury governs the District. At December 31, 2011, the District had approximately 1,505 customers.

BASIS OF PRESENTATION

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the Town's more significant accounting policies are described as follows:

THE REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. The Police Jury's ability to appoint management or the voting majority to the organization's governing body, and the ability of the Police Jury to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Police Jury does not appoint a voting majority, but are fiscally dependent on the Police Jury.
3. Organizations for which the reporting entity financial statements would be misleading if the data of the organization is not included because of the nature or significance of the relationship.

Because the Police Jury appoints the board and has the ability to impose its will on the District and there exists the potential for the District to provide specific financial benefits to or impose specific burdens on the Police Jury, the District was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

general government service provided by the governmental unit, or other governmental units that comprise the financial reporting entity.

FUND ACCOUNTING

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Business-Type Activities) is maintained that comprises its assets, liabilities, and fund equity, revenues, and expenses. Business-type activities, rely on fees and charges for support and operates in a manner similar to private sector enterprises.

MEASUREMENT FOCUS /BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurements focus applied.

MEASUREMENT FOCUS

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or long term) associated with their activities are reported. Proprietary fund equity is classified as retained earnings.

BASIS OF ACCOUNTING

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CASH AND CASH EQUIVALENTS

For purpose of the statement of net assets, cash and interest-bearing deposits include all demand accounts, saving accounts, and highly liquid investments maturing in three months or less.

For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and intergovernmental payments.

Business-type activities report customer's utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicated the uncollectibility of the particular receivable.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, are reported in the business-type activities of the financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Capital assets are depreciated using the straight-line method and estimated useful lives of 5 to 45 years. Useful lives are selected based on the expected resilience of each capital asset.

FUND EQUITY-CONTRIBUTED CAPITAL

Equity is classified as net assets and displayed in four components:

- a. Contributed capital represents sewerage facilities donated by developers. Contributed capital is amortized based on the depreciation recognized on the related capital assets. Depreciation is closed to the contributed capital account and is reflected as an adjustment to the net income (loss) on the statement of revenues, expenses and changes in retained earnings.
- b. Investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements constructed, or improvement of those assets.
- c. Restricted net assets consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- d. Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted," "invested in capital assets, net of related debt" or "contributed capital."

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents, at year end, totaled \$557,896 per the general ledger and \$566,382 per bank balances. These deposits are stated at cost, which approximates market value.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2011 and 2010 the District's accounts were adequately secured from risk by FDIC insurance. (GASB Category 1)

At December 31, 2011 and 2010, the District had cash and cash equivalents (book balances) as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted Cash		
Petty Cash	\$ 100	\$ 100
Demand Deposits	473,287	207,219
Money Market	10,141	59,908
Treasury Bills	-	310,000
Total Unrestricted Cash	<u>\$ 483,528</u>	<u>\$ 577,227</u>
Restricted Cash		
Reserve Funds	\$ 68,263	\$ 68,277
Depreciation and Contingency Funds	6,105	3,441
Total Restricted Cash	<u>\$ 74,368</u>	<u>\$ 71,718</u>

NOTE C RECEIVABLES

Receivables at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Receivables, Charges for services	\$ 41,296	\$ 32,148
Allowance for Doubtful Accounts	(20,893)	(13,261)
Total Receivables	<u>\$ 20,403</u>	<u>\$ 18,887</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE D CAPITAL ASSETS

A summary of fixed assets and related depreciation at December 31, 2011 and 2010 are as follows:

2011	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 7,464,295	\$ -	\$ -	\$ 7,464,295
Less Accumulated Depreciation	(2,876,925)	(163,357)	-	(3,040,282)
Total	<u>\$ 4,587,370</u>	<u>\$ (163,357)</u>	<u>\$ -</u>	<u>\$ 4,424,013</u>

2010	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 7,287,098	\$ 177,197	\$ -	\$ 7,464,295
Less Accumulated Depreciation	(2,715,667)	(161,258)	-	(2,876,925)
Total	<u>\$ 4,571,431</u>	<u>\$ 15,939</u>	<u>\$ -</u>	<u>\$ 4,587,370</u>

Depreciation expense for 2011 and 2010 was \$163,357 and \$161,258 respectively.

NOTE F ACCOUNTS PAYABLE

Accounts payable at December 31, 2011 and 2010 were amounts due to vendors.

NOTE G DEFERRED REVENUE

Deferred revenue represents the amount prepaid for sewer services by the District's customers.

NOTE H CHANGES IN LONG-TERM DEBT

The following is a summary of debt owed by the District for the year ended December 31, 2011.

	USDA Loan March 2009	USDA Loan December 2009	Total
Loan Payable, December 31, 2010	\$ 984,220	\$ 348,063	\$ 1,332,283
Loan Proceeds	-	-	-
Principal Payments	(10,919)	(4,400)	(15,319)
Loan Payable, December 31, 2011	<u>\$ 973,301</u>	<u>\$ 343,663</u>	<u>\$ 1,316,964</u>

Loans payable at December 31, 2011 are comprised of the following:

\$992,000 loan dated March 17, 2009, due in monthly installments of \$4,726 through December 2048; interest on this loan is 4.120 percent

\$973,301

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

\$353,000 loan dated December 19, 2009, due in monthly installments of \$1,412 through September 2048; interest on this loan is 3.521 percent

\$343,663

The loans were acquired for the purpose of paying for a portion of constructing and acquiring improvements and extension to the sewerage system, including appurtenant equipment, accessories and discharging Bond Anticipation Notes. The loan is secured by a pledge of income and revenues of the System, after provision has been made for payment of all reasonable and necessary expenses of operating and maintaining the System.

Interest cost incurred for the year ended December 31, 2011 was \$52,915.

The annual requirements to amortize all debt outstanding as of December 31, 2011, including interest payments are as follows:

Loan Dated March 2009			
Year Ending December 31,	Interest	Principal	Ending Balance
2012	\$ 39,935	\$ 11,377	\$ 51,312
2013	39,457	11,855	51,312
2014	38,959	12,353	51,312
2015	38,439	12,873	51,312
2016	37,898	13,414	51,312
2017-2021	180,542	76,018	256,560
2022-2026	163,163	93,397	256,560
2027-2031	141,810	114,750	256,560
2032-2036	115,575	140,985	256,560
2037-2041	83,342	173,218	256,560
2042-2046	43,740	212,820	256,560
2047-2048	4,444	100,241	104,685
Totals	<u>\$ 927,304</u>	<u>\$ 973,301</u>	<u>\$ 1,900,605</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

Loan Dated December 2009

Year Ending December 31,	Interest	Principal	Ending Balance
2012	\$ 12,383	4,561	\$ 16,944
2013	12,214	4,730	16,944
2014	12,040	4,904	16,944
2015	11,859	5,085	16,944
2016	11,672	5,272	16,944
2017-2021	52,297	29,423	81,720
2022-2026	49,460	35,260	84,720
2027-2031	42,465	42,255	84,720
2032-2036	34,082	50,638	84,720
2037-2041	24,036	60,684	84,720
2042-2046	11,997	72,723	84,720
2047-2048	924	28,128	29,052
Totals	<u>\$ 275,429</u>	<u>\$ 343,663</u>	<u>\$ 619,092</u>

There are a number of limitations and restrictions contained in the loan agreements. The following is a summary of the major restrictions in the use of funds as required by the loan agreements.

FLOW OF FUNDS: RESTRICTIONS ON USE OF LOAN FUNDS DATED MARCH 2009

The revenues derived from the sewerage user fees shall be allocated as follows:

- a. Each month beginning on November 1, 2009, and each successive month an amount equal to \$4,276 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.
- b. Each month \$428 is required to be paid monthly into a separate fund entitled "Debt Service Reserve Fund" until \$51,312 has been accumulated therein.
- c. Each month \$111 is required to be paid monthly into a separate fund entitled "Depreciation and Contingency Fund". Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the sewer system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the reserve account.

FLOW OF FUNDS: RESTRICTIONS ON USE OF LOAN FUNDS DATED DECEMBER 2009

The revenues derived from the sewerage user fees shall be allocated as follows:

- a. Each month beginning on November 1, 2009, and each successive month an amount equal to \$1,412 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

- b. Each month \$141 is required to be paid monthly into a separate fund entitled "Debt Service Reserve Fund" until \$16,944 has been accumulated therein.
- c. Each month \$111 is required to be paid monthly into a separate fund entitled "Depreciation and Contingency Fund". Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the sewer system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the reserve account.

NOTE I ACCRUED INTEREST PAYABLE

Accrued interest is due on the loans but unpaid at December 31, 2011.

NOTE J LITIGATION

At December 31, 2011, the District was not a defendant in any legal proceedings.

NOTE K RISK MANAGEMENT

The District is exposed to risk of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. Any previous losses have not exceeded the insurance coverage.

NOTE L PER DIEM PAID BOARD MEMBERS

The following is a schedule of per diem paid to the District's Board Members.

	Commissioner's Fees	
	2011	2010
Bob Wooley	\$ 3,870	\$ 2,070
Robin Bonnette	-	900
Kevin Johnson	1,440	1,890
Paul Williams	1,500	-
Charlie Stewart	3,540	540
Total	<u>\$ 10,350</u>	<u>\$ 5,400</u>

COMPLIANCE AND INTERNAL CONTROL

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Board of Commissioners
Sewerage District No. 1 of Rapides Parish, Louisiana
Rapides Parish Police Jury
Alexandria, Louisiana

I have audited the financial statements of Sewerage District No. 1 of Rapides Parish, Louisiana, as of and for the year ended December 31, 2011, and have issued my report thereon dated June 11, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No. 1 of Rapides Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that is required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any

deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Sewerage District No. 1 of Rapides Parish, Louisiana's Board of Commissioners, and management, others within the organization and grant awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Roy K. Derbonne, Jr.", with a stylized flourish at the end.

Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 11, 2012

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

PART I – SUMMARY OF AUDITOR’S RESULTS

An unqualified opinion was issued on the financial statements for Sewerage District No. 1 of Rapides Parish, Louisiana, as of December 31, 2011.

PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

Internal Control

The results of the audit disclosed no instances of significant deficiencies in internal control.

Compliance and Other Matters

The results of the audit disclosed no instance of noncompliance with respect to compliance with laws, regulations, contracts, and grants, which are material to the financial statements.

**SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
RAPIDES PARISH POLICE JURY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011**

There were no prior year audit findings.